

November 22, 2016

Debra McMannis, Director  
Early Education and Support Division  
California Department of Education  
1430 N. Street  
Sacramento, CA 95814-5901

Dear Ms. McMannis,

**Re: Suggestions for Improvements to Facilities Revolving Loan Fund (RLF)**

I have worked for over 20 years in the area of child care/early learning facilities planning, development and financing, as Redwood City's child care planner/coordinator, a member and staff to San Mateo County's Child Care Partnership Council (LPC), and as a consultant. I've participated in facilities-related work with local and state groups on projects including: Local Investment in Child Care (LINCC), LIIF/ABCD Initiative, Building Child Care, and the CCELP, and authored a book on *Planning for Child Care in California*.

Based on concerns of several CDE EESD contractors, agencies and advocates, heard over past years, I am submitting suggestions to make the Child Care Facilities Revolving Loan Fund (RLF) more accessible to contractors as well as providing better quality facilities for children and staff. Suggestions will include:

- A. Short-term, smaller changes, or clarifications related to existing program guidelines
- B. More significant changes to the fund to enable more contractors to use the RLF for different types of projects.

Many in the field are concerned that the RLF funds are not being used and will be taken away as has happened in the past. While contractors need facilities for expansion or replacement of old ones, barriers to using the RLF have led to underutilization and the appearance that facilities aren't needed.

CDE's Early Learning Support Services division oversees several quality improvement efforts funded with state and federal funds. Extensive workforce and program quality initiatives are ongoing. No consideration is given to the quality of the physical environments in which children and staff spend up to 10 hours a day (more than older school children). Various factors such as amount and design of space, lighting, acoustics, air quality, etc. impact the health and behavior of both children and teachers. Yet no initiatives, programs, guidance, or assessment tools address the quality of facilities. (Environmental Rating Scales [ERS] include a few items that relate to the learning environment but not the physical facility issues addressed herein.) Facilities quality is not addressed in the QRIS. One significant technical assistance project, Building Child Care (BCC), was funded by CDE only from 2000-2010. The California Comprehensive Early Learning Plan (CCELP) includes recommendations to address the quality and shortage of facilities, but those recommendations are not being implemented.

Some problems with the RLF and suggestions for changes are provided below, in the interest of initiating a discussion between the Department and experienced contractors and experts in the field.

**Loan accessibility issues:**

- 1) Many contractors shy away from loans for various reasons. Lack of revenue to make loan payments (due to the low state reimbursement rate), and potential loss of funding during state budget cuts

are key. Private contractors on school sites already may pay land leases. Some have year-to-year leases.

- 2) Loan caps per building have been increased only twice since the fund was established in 1997. The original cap of \$130K was increased to \$150K in 2002, and to \$210K in 2007, based on 2006 data. Analysis of costs at that time used figures from past loans, so may not reflect the true cost of projects that may have been proposed had the funding cap been higher.
- 3) Land is not available in many communities, even on some school district campuses, to locate portables. Options for other types of projects are needed, including remodeling a school classroom or other public or commercial building to create a facility.

#### **Quality issues:**

1) Relocatables vs modular construction. The RLF guidelines only allow loans for relocatable, portable buildings. These are not intended for permanent use, yet many contractors have programs that have been in portables for 20-25 years. Maintenance problems are greater with these buildings. They require ramping up to above-ground doors, decks, etc. which add to maintenance.

Many public schools are now built with modular construction to save money (over stick construction), while providing sustainable buildings. Early Learning programs deserve to be in higher quality, sustainable buildings as well.

2) Space requirements. A "basic building" as described in RLF guidelines is 1440 sf (3 12' x 36' sections). Several professional sources of best practices information recommend 45-50 sf of child play space, more than the Licensing requirement of 35 sf. The 1440 sf classroom, if used for a typical class size of 24 preschoolers, allows for only 60 sf per child total. This amount needs to include, at minimum, ADA accessible bathrooms (2 sinks, 2 toilets), storage (for required napping equipment, food, supplies), food prep and admin space, at a minimum). If such a classroom is simply an add-on to an existing center, offices, storage, adult bathrooms, etc. may be available in another building. But this is not always the case, yet the loan guidelines don't allow for that support space. Adding an additional 12' section for an "enhanced" relocatable, as described in the guidelines, is permitted only to allow for increased child capacity.

The following suggestions for changes to the RLF should be discussed with experienced EESD contractors and facilities development and financing experts.

#### **A. Changes to the existing guidelines**

1. Increase the cap on loans. Consider up to \$400K per "basic classroom" (i.e. three 12' x 36' sections) (This cap was proposed in Assemblymember Mullin's 2014 bill, AB2302.)  
Comments: Information provided in 2013 by CDE staff on the history of the funding amount indicated that the cap was raised twice in the history of the fund, using an average cost from previously funded projects. Such a figure does not take into account the real costs of doing a project (those who didn't apply due to low funding amount). Real cost estimates were not obtained, when increasing from original \$130 to \$150K in 2002, and to \$210K in 2007. A CCFRF building appraisal report 2006 estimated cost for purchase and installation including site prep was \$150/sf. (x 1,440 sf, size of basic bldg. = \$216K).

#### Cost Examples:

- San Carlos School District installed single portable classrooms at two school sites in 2010-12 to operate their own fee-based preschool for 20-24 children each. These were basic

buildings, and included playground cost with only fencing and an age-appropriate climbing structure. One cost about \$350,000, the other \$518,000 because of site work.

- City College of San Francisco received an RLF loan of \$586K last year. A professor who worked on the project reports that the project cost \$1.2 M. The 8 12'x36' sections of building are combined into one building serving 60 children. Almost no support spaces are in the building; offices, adult bathrooms, and storage are located in an adjacent building.
2. Allow funding of support spaces needed to operate quality programs.
  3. Lengthen the loan term to 15 years to make payments more affordable to contractors who are reimbursed at significantly below their operating costs (especially in high-cost counties). (Extension to 14 years was proposed in Assm. Mullin's bill.)

#### **B. Changes to support facilities projects other than relocatable buildings.**

We believe that the CA Education Code language allows a broader interpretation that supports uses of funding for other than purchase of relocatable buildings.

8278.3. (a) (1) The Child Care Facilities Revolving Fund is hereby established in the State Treasury to provide funding for the renovation, repair, or improvement of an existing building to make the building suitable for licensure for child care and development services and for the purchase of new relocatable child care facilities for lease to school districts and contracting agencies that provide child care and development services, pursuant to this chapter.

We recognize that providing loans for other types of projects is more complex. Alternatives for administering a loan program have been proposed in the past.

#### **Suggested next steps:**

- 1) Gather data, as needed, to answer any questions raised by this letter. This could include information from previous advocacy efforts to change the RLF over the years including:
  - a. 2007-8 Low Income Investment Fund (LIIF) staff worked with, then Senator, Torlakson on legislation. The Child Care Law Center submitted a paper in 2008 describing problems with the fund and changes needed.
  - b. Assemblymember Kevin Mullin carried a bill in 2014 proposing changes.
- 2) Solicit input from current contractors, both those who applied for loans and others who are not able to, to confirm, revise or add to the background information and recommendations described in this memo. Contractors and agencies that have facilities development and financing experience (with RLF loans and/or other funding sources) would be most helpful. Low Income Investment Fund, GoKids, CDI/CDC, and Kidango are examples. I personally don't have that experience so much of my input comes from discussions with them over past years.
- 3) Revise or clarify current RLF guidelines to address barriers, described above, that can be reduced.
- 4) Initiate conversations with the field and experts in facilities financing and development to create alternative programs.

Finally, I offer these last thoughts:

- Schools aren't required to pay for new facilities out of their ADA for students. Why are early education providers?

- When new Latchkey Child Care program funding was passed, many years ago, relocatable buildings were sold to successful applicants for \$1. Maybe free buildings should be given, where needed, to successful applicants for expansion/operational funds in the future.

Thank you for considering these suggestions. Should you wish to contact me, I can be reached at (650) 780-7336 or kmanderson@redwoodcity.org

Respectfully submitted,



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Cc:

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